

Marc A. Panucci

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1 Q. Mr. Panucci, thank you for your  
2 diligence in hanging with us this  
3 afternoon but we're nearly concluding.  
4 I'm going to ask you to refer  
5 quickly back to Exhibit 4110 which you  
6 have before you, I believe.  
7 A. Yes.  
8 Q. To Bates page ED 141. This is  
9 on sort of the left-hand portion of the  
10 document. And actually I lied. Could you  
11 look a few pages prior to that, to ED 149.  
12 A. Okay.  
13 Q. And do you see that that is  
14 another face page for another trust, this  
15 one entitled the Edith Ann Oliver and  
16 Edith Oliver Rea trust?  
17 A. Yes.  
18 Q. With Mellon trust number  
19 510-000?  
20 A. Yes.  
21 Q. Do you recall reviewing this  
22 page or this trust during your audit work  
23 in 1996?  
24 A. I do not recall.  
25 Q. I'm going to ask you to skip a

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1 establish a trust fund, the income from  
2 which shall be expended for the  
3 maintenance of the Allegheny General  
4 Hospital in the north side Pittsburgh,  
5 Pennsylvania."  
6 Do you see that?  
7 A. Yes.  
8 Q. Do you recall reviewing that  
9 language?  
10 A. I do not recall.  
11 Q. And then in the next paragraph,  
12 which reads, "now" or starts, rather,  
13 "Now, therefore, this agreement," and goes  
14 on from there. Do you see that beginning  
15 phrase?  
16 A. Yes.  
17 Q. It describes in the sentence  
18 that follows or the phrase that follows,  
19 the handing over of certain sum of money.  
20 Do you see that, or stock, rather?  
21 MR. RYAN: Stock, I think.  
22 Q. Let me read it. It reads,  
23 "External loan bonds." Do you see that?  
24 "The parties of the first part do hereby  
25 assign, transfer, set over and deliver to

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1 couple of pages to ED 141 now, which I  
2 think you'll tell me is a page that looks  
3 to be the beginning of the trust document  
4 and has the words, "this agreement" at the  
5 top of it.  
6 A. Yes.  
7 Q. It appears to be a document  
8 dated AD 1915; is that right?  
9 A. Yes.  
10 Q. Do you recall reviewing  
11 documents that old in your endowment and  
12 investment work at AHERF in fiscal year  
13 1996 or for fiscal year 1996?  
14 A. I know some of the endowments  
15 were old. I do not know the specific  
16 years they were originated in.  
17 Q. This page has some language  
18 describing income and proceeds of the sale  
19 of securities. I'm going to ask you to  
20 look at and then tell me whether you  
21 recall reviewing it or language to its  
22 effect.  
23 In the first whereas clause, it  
24 reads, the document reads, "Whereas the  
25 said parties of the first part desire to

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1 the party of the second part \$260,000 par  
2 value of Anglo French five year five  
3 percent external loan bonds."  
4 Have I read that right?  
5 A. I couldn't tell if it was 250 or  
6 two -- okay. It's 260 in the words, yes.  
7 Q. And then the next phrase says,  
8 "To have and to hold the said securities  
9 and the proceeds of the sale or conversion  
10 of the same to said party of the second  
11 part, its successors and assigns in trust  
12 nevertheless for the following uses and  
13 purposes."  
14 Do you recall reading that  
15 language during your audit effort?  
16 A. I do not recall.  
17 Q. You have had a chance during our  
18 last break to review briefly Exhibit 4111  
19 marked previously in the SEC proceedings  
20 as Exhibit 134. Am I right?  
21 A. Yes, briefly, briefly review it.  
22 Q. Is there anything that arose  
23 from that review that indicates to you  
24 that Exhibit 4111 is, indeed, a copy of  
25 the notebook or that you received from

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1 either Mr. Zwirn or Ms. Cafarro in your --  
 2 as a part of your work, rather, on the  
 3 fiscal year 1996 audit?

4 A. Nothing that I could recall that  
 5 that would be the binder.

6 Q. Having now the two before you  
 7 and hands folded over one, do you have any  
 8 basis for telling us that you believe one  
 9 or the other is more likely a copy of the  
 10 volume or the notebook you received from  
 11 Mr. Zwirn, more likely to be the copy of  
 12 the volume or notebook you received from  
 13 Mr. Zwirn?

14 MR. LUFT: Objection.

15 A. The only thing, as I sit here  
 16 today, would be the size of the binder  
 17 given to me is similar to Exhibit 4110,  
 18 but that's all I could tell you is the  
 19 size would approximate that.

20 Q. And is it fair to say that you  
 21 are not telling us under oath that Exhibit  
 22 4110 is not the binder Mr. Zwirn gave you.  
 23 Is that accurate?

24 A. Can you repeat that one more  
 25 time.

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1 deposition?

2 A. I can't recall any other time  
 3 but yesterday, parts of 4110 were either  
 4 shown to me or read to me.

5 Q. And why do you think that?

6 A. Well, based upon meeting with  
 7 counsel yesterday.

8 Q. I'm saying, slightly different  
 9 thing. Did you see this exhibit on the  
 10 table and that's why you think that parts  
 11 of it were read to you or shown to you?

12 A. Well, I just can't say for  
 13 certainty whether it was that exact  
 14 exhibit that were being shown to me.

15 Q. But language like I read to you  
 16 today was read to you yesterday?

17 A. Yes.

18 Q. From a document that looked a  
 19 lot like Exhibit 4110?

20 A. Yes.

21 Q. And that was done by counsel?

22 A. Yes.

23 Q. Do you recall contacting any  
 24 third party about endowment or investment  
 25 work you were doing other than the tying

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1 Q. Yes, that had too many negatives  
 2 I think we could parse it out, but it had  
 3 too many negatives. Let me try it again.

4 Can you testify with certainty  
 5 today that Exhibit 4110 is not a copy of  
 6 the binder that Mr. Zwirn gave you?

7 A. I cannot recall one way or the  
 8 other if this is the full binder that was  
 9 given to me or not.

10 Q. So the short answer is you can't  
 11 say with certainty that it's not the  
 12 binder or a copy of the binder; is that  
 13 right?

14 A. In certainty whether it's not or  
 15 it is, yes.

16 Q. Have you ever seen Exhibit 4110  
 17 or Exhibit 4111 before today in perhaps  
 18 your preparations -- strike the question.

19 Do you recall reviewing  
 20 yesterday in your preparation session  
 21 Exhibit 4110 or 4111?

22 A. Can you repeat that?

23 Q. Yes. Do you recall reviewing  
 24 yesterday Exhibit 4110 or 4111 or at any  
 25 other time in preparation for this

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1 of sums for any reason?

2 A. The only other contact that I  
 3 would know of is we also got SAS 70  
 4 reports from third parties.

5 Q. What are SAS 70 reports?

6 A. They are reports done by the  
 7 financial institution or third party's  
 8 independent accountants on the internal  
 9 control environment at that third party  
 10 site.

11 Q. So they have to do with internal  
 12 controls at the financial institutions,  
 13 for example, in place there?

14 A. Correct.

15 Q. Did you ever learn, as a part of  
 16 your audit work, or after, that AHERF  
 17 stripped the dividend or interest income  
 18 from the Lockhart trust accounts and moved  
 19 it to a separate concentration or other  
 20 account at one of the Mellon  
 21 institutions --

22 MR. LUFT: Objection.

23 Q. -- on a monthly or other  
 24 periodic basis?

25 A. Can you repeat that again? I'm

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1 Q. Do you recall whether it gave  
2 you any set of instructions?  
3 A. I cannot recall if it did.  
4 Q. Were you ever asked either in  
5 that communication or at another time to  
6 preserve or gather documents or electronic  
7 data related to the audit?  
8 A. Can you repeat that again?  
9 Q. Maybe.  
10 A. Sorry.  
11 Q. Were you ever asked at any time  
12 to gather documents or preserve documents  
13 or gather electronic data or preserve  
14 electronic data regarding your AHERF audit  
15 work?  
16 A. I know for sure it was during  
17 the subpoena, I was asked to gather the  
18 information and --  
19 Q. That was --  
20 A. I don't remember any specifics  
21 of when it was told to gather the  
22 information other than outside the  
23 subpoena.  
24 Q. And the subpoena you referred to  
25 is the subpoena for your testimony in the

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1 A. Yes.  
2 Q. And not work completed in the  
3 Pittsburgh office of Coopers & Lybrand  
4 while you were there?  
5 A. Correct.  
6 Q. And do you know from whom you  
7 received the request?  
8 A. Relating to the new post?  
9 Q. Yes.  
10 A. It was from the engagement teams  
11 out in the practice offices.  
12 Q. And do you know what engagement  
13 it was?  
14 A. Handleman Company.  
15 Q. That's the name of a client?  
16 A. Yes.  
17 Q. And do you know anything more  
18 about it than what you've just told us?  
19 A. No. Except that I believe it's  
20 an SEC investigation.  
21 Q. What's your current work  
22 address?  
23 A. Sorry for the pause, but it's  
24 relatively new.  
25 Q. That's okay.

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1 SEC proceeding?  
2 A. Yes.  
3 Q. Before that time, did you  
4 receive any such instruction about  
5 gathering or preserving information from  
6 anyone, that you can recall?  
7 A. Not that I can recall.  
8 Q. Have you ever been involved in  
9 any other audit that has become the  
10 subject of litigation or a government  
11 investigation or proceeding?  
12 A. In my current role at National,  
13 I've received work paper documentation  
14 retention requirements.  
15 Q. About some other litigation?  
16 A. About other litigation --  
17 Q. I mean, do you know --  
18 A. -- or potential litigation. I'm  
19 not sure.  
20 Q. So you've been asked to retain  
21 documents about other matters, other audit  
22 work?  
23 A. Yes.  
24 Q. In connection with work recently  
25 completed in your new post?

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1 A. 500 Campus Drive, Florham Park,  
2 New Jersey 07932.  
3 Q. And your current home address?  
4 A. 706 Sterling Drive, Florham  
5 Park, New Jersey 07932.  
6 Q. You walk to work?  
7 A. No, but I have a short drive.  
8 Q. If you give me one minute, I  
9 think we'll be done.  
10 A. Sure.  
11 Q. Mr. Panucci, I'm handing you now  
12 what has been marked as Exhibit 435 in  
13 this litigation, which is, I will tell  
14 you, or at least purports to be a letter  
15 from Ms. Barbara Robinson at Mellon  
16 Private Capital Management to Mr. Mike  
17 Martin at AHERF, dated October 30, 1996.  
18 Have you ever seen Exhibit 435 before  
19 today?  
20 A. Not that I can recall.  
21 MR. JONES: That's all I have.  
22 (Time noted: 5:25 p.m.)  
23  
24  
25

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MARC A. PANUCCI

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Marc A. Panucci

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1 \_\_\_\_\_  
 2 Subscribed and sworn to  
 3 before me this \_\_\_\_\_  
 4 day of \_\_\_\_\_,  
 5 2003.  
 6  
 7 \_\_\_\_\_  
 8 Notary Public  
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1	Description	Page	Line
2	4112 Work papers	273	4
3	4113 Work papers	278	12
4	4114 Work papers	280	20
5	4115 Work paper	282	23
6			
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1  
 2 INDEX TO TESTIMONY  
 3 Page Line  
 4 Examination by Mr. Jones 5 16  
 5  
 6 INDEX TO EXHIBITS  
 7 Description Page Line  
 8 4096 Resume 24 17  
 9 4097 Healthcare Audit  
 10 Approach and Practice  
 11 Aids 44 18  
 12 4098 Work papers 60 4  
 13 4099 Time budget 68 22  
 14 4100 Consolidated time  
 15 budget 75 6  
 16  
 17 4101 Work papers 109 12  
 18 4102 Work papers 141 9  
 19 4103 Work papers 147 22  
 20 4104 Work papers 150 24  
 21 4105 Work papers 156 23  
 22 4106 Work paper 173 23  
 23 4107 Work paper 184 14  
 24 4108 Work papers 186 22  
 25 4109 Larger text version of  
 Exhibit 4108 191 13  
 4110 SEC exhibit 225 21  
 4111 SEC exhibit 236 19

## 1 CERTIFICATION

2 I, Barbara P. Goldsmith, a Notary  
 3 Public in and for the State of New York,  
 4 do hereby certify:  
 5  
 6 THAT the witness whose testimony is  
 7 hereinbefore set forth, was duly sworn by  
 8 me; and  
 9

10 THAT the within transcript is a true  
 11 record of the testimony given by said  
 12 witness. I further certify that I am not  
 13 related, either by blood or marriage, to  
 14 any of the parties to this action; and  
 15 THAT I am in no way interested in the  
 16 outcome of this matter.

17 IN WITNESS WHEREOF, I have hereunto  
 18 set my hand this 23rd day of November  
 19 2003.  
 20  
 21

22 BARBARA P. GOLDSMITH  
 23  
 24  
 25

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**Porter Dep.**

Christa Porter

Page 1

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF PENNSYLVANIA

THE OFFICIAL COMMITTEE OF  
UNSECURED CREDITORS OF ALLEGHENY  
HEALTH, EDUCATION & RESEARCH FOUNDATION,  
Plaintiff,

vs.  
PRICewaterhouseCOOPERS, LLP,  
Defendant.

Case No.  
00-684

- - - - -

Videotaped deposition of CHRISTA  
PORTER, called for examination under the  
Applicable Rules of Federal Civil Procedure,  
taken before me, Wendy L. Klauss, a Notary  
Public in and for the State of Ohio, at the  
  
offices of Jones Day, 500 Grant Street, Suite  
  
3100, Pittsburgh, Pennsylvania, on Thursday,  
  
January 29, 2004, at 9:33 o'clock a.m.

- - - - -

Christa Porter

<p style="text-align: right;">Page 86</p> <p>1 A. I don't remember.</p> <p>2 Q. As you sit here today, would it</p> <p>3 have been your expectation that Ms. Heinlein</p> <p>4 would have been doing that check?</p> <p>5 A. I can't answer what documents she</p> <p>6 looked at to do the calculations.</p> <p>7 Q. As the person who was the reviewer</p> <p>8 of that particular work paper that talked about</p> <p>9 testing the covenants for AGH, as you sit here</p> <p>10 today, was it your understanding -- is it your</p> <p>11 understanding that that's something that Ms.</p> <p>12 Heinlein would have been checking to see,</p> <p>13 whether or not AGH was deducting everything it</p> <p>14 was supposed to deduct from that calculation?</p> <p>15 A. Can you repeat the question.</p> <p>16 Q. As you sit here today, do you</p> <p>17 believe that the person at Coopers who was</p> <p>18 responsible for checking compliance with the</p> <p>19 debt covenants at AGH would have compared what</p> <p>20 AHERF was deducting from the unrestricted fund</p> <p>21 balance covenant for the Morgan reimbursement</p> <p>22 letter of credit agreement with what the</p> <p>23 agreement called for with respect to deducting</p> <p>24 items from that calculation?</p> <p>25 A. I don't recall whether that was</p>	<p style="text-align: right;">Page 88</p> <p>1 I had pointed you towards Bates</p> <p>2 ending 802 of this page, correct?</p> <p>3 A. Correct.</p> <p>4 Q. Have you had a chance to look at</p> <p>5 that page?</p> <p>6 A. No.</p> <p>7 Q. Before I ask about that, let me try</p> <p>8 this question again.</p> <p>9 As you sit here today, looking back</p> <p>10 at the audit steps in some of the documents I</p> <p>11 have shown you here, is it your understanding</p> <p>12 that the audit program called for Coopers &amp;</p> <p>13 Lybrand to check with the debt agreement -- I'm</p> <p>14 sorry, to make sure that AHERF and AGH were</p> <p>15 deducting all the items that needed to be</p> <p>16 deducted for purposes of the Morgan covenant?</p> <p>17 A. The audit step required us to</p> <p>18 review the debt covenants and review those</p> <p>19 calculations.</p> <p>20 Q. And in order to assure that it was</p> <p>21 calculated correctly for this particular</p> <p>22 covenant, wouldn't you have to go back to the</p> <p>23 debt agreement?</p> <p>24 A. Not necessarily.</p> <p>25 Q. Why not?</p>
<p style="text-align: right;">Page 87</p> <p>1 something they specifically did or not, but I'm</p> <p>2 sure they would have done whatever comparison</p> <p>3 needed to feel comfortable that it was</p> <p>4 appropriate.</p> <p>5 Q. When you say feel comfortable, what</p> <p>6 do you mean by that?</p> <p>7 A. I just mean to be able to feel</p> <p>8 confident that their work was complete.</p> <p>9 Q. Do you recall -- we talked earlier</p> <p>10 about for objectively determinable covenants,</p> <p>11 that Coopers would be recalculating the</p> <p>12 covenant, right?</p> <p>13 A. Yes.</p> <p>14 Q. Was it your understanding that</p> <p>15 somebody at Coopers was going back to the debt</p> <p>16 agreement and figuring out what needed to be</p> <p>17 reduced from the unrestricted fund balance</p> <p>18 calculation and recalculating the covenant</p> <p>19 based upon that?</p> <p>20 MR. LUFT: Objection. She said she</p> <p>21 doesn't recall working on this.</p> <p>22 Q. So you don't recall, right?</p> <p>23 A. No.</p> <p>24 Q. As you sit -- actually, I think I</p> <p>25 asked that question, so I'll move on.</p>	<p style="text-align: right;">Page 89</p> <p>1 A. If there were no changes to the</p> <p>2 agreement based on discussions with management</p> <p>3 or other knowledge, and there was a summary in</p> <p>4 our work papers from the prior year, they may</p> <p>5 not have gone back to the original debt</p> <p>6 agreement.</p> <p>7 Q. How would you know if AHERF</p> <p>8 actually deducted the things it was supposed to</p> <p>9 deduct unless you looked at the debt agreement?</p> <p>10 A. Like I said, based upon the prior</p> <p>11 year's work papers, they reviewed it and there</p> <p>12 were no changes and they followed practices</p> <p>13 consistent with that, they may not have looked</p> <p>14 back at the original documents.</p> <p>15 Q. Finally onto this document. Do you</p> <p>16 recall pages that looked like this, whether or</p> <p>17 not you recall this particular one dated</p> <p>18 September 18, 96?</p> <p>19 A. No, I do not.</p> <p>20 MR. TORBORG: Why don't we take a</p> <p>21 quick break here.</p> <p>22 MS. KISTLER: We are now going off</p> <p>23 the record. The time indicated is 11:39 a.m.</p> <p>24 (Recess taken.)</p> <p>25 - - - -</p>

23 (Pages 86 to 89)



Christa Porter

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1 (Thereupon, Deposition Exhibit 4239  
2 was marked for purposes of  
3 identification.)  
4 - - - -

5 MS. KISTLER: We are now back on  
6 the record. The time indicated is 11:53 a.m.

7 Q. Welcome back.

8 Ms. Porter, I have handed you what  
9 has been marked as Exhibit 4239. It bears  
10 Bates number CL 006236 through 42, and it  
11 appears to contain some documents, all of which  
12 are relevant to debt compliance issues for  
13 Allegheny General Hospital Obligated Group for  
14 the fiscal year 1996 audit.

15 If you would take a look through  
16 those documents, and then I'll have some  
17 specific questions for you.

18 A. (Witness reviewing document.)

19 Q. Ms. Porter, before I ask you  
20 specifics on this document, do you recall that  
21 the CLASS System had a number of different  
22 numbered sections that related to specific  
23 substantive areas of the audit? For example, I  
24 think section 53 would be assets or patient  
25 receivables, I think section 70 related to

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1 of these documents --

2 A. No.

3 Q. -- in this collection?

4 A. No, I do not.

5 Q. Flipping to the third page of the  
6 exhibit, Bates ending 238, there is a one-page  
7 schedule not unlike a schedule I asked you to  
8 look at in the larger document marked as  
9 Exhibit 434; do you see that?

10 A. Yes.

11 Q. Do you recognize the handwriting on  
12 that document?

13 A. Yes, I do.

14 Q. And whose handwriting is that?

15 A. That's mine.

16 Q. Can you read for me what that note  
17 says?

18 A. Sure. It says, "Note: In PY"  
19 which stands for prior year, "AGH included  
20 current portion also. DVOG debt specifically  
21 excludes current portion in their calculation.  
22 AGH covenants are silent as to whether current  
23 portions should be included. Bond counsel  
24 recommended that to be consistent and follow  
25 general industry calculations, such as Moody's,

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1 liabilities and debt, which we have seen  
2 before.

3 Do you remember there was a section  
4 of the audit called general and administrative?

5 A. Yes.

6 Q. And what was the purpose of that  
7 section?

8 A. I believe that was where we  
9 documented planning type matters. I don't  
10 really recall what else was in there.

11 Q. I will represent to you that the  
12 set of documents I have shown you was a section  
13 that was taken out of the general and  
14 administrative section of the audit.

15 A. Okay.

16 Q. Although it all seems to relate to  
17 debt compliance type concerns that normally  
18 would be contained in a different section of  
19 the audit, I believe, different sections of the  
20 audit, I should say.

21 Do you know why these particular  
22 pages were in the general administrative  
23 section of the audit?

24 A. No, I do not.

25 Q. Let me ask first do you recall any

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1 the current portion should be excluded." And  
2 it says, "C&L does not take exception."

3 Q. Do you recall whether or not for  
4 this particular issue -- well, let me ask, do  
5 you recall this particular issue at all?

6 A. No, I don't.

7 Q. Do you recall whether or not  
8 Coopers & Lybrand ever asked the lender  
9 involved here, Morgan Guaranty -- or credit  
10 enhancer, I should say, Morgan Guaranty about  
11 this particular issue?

12 A. No, I don't know whether that was  
13 done or not.

14 Q. Whether or not the current portion  
15 of long term debt should be included in the  
16 numerator of the indebtedness total  
17 capitalization ratio?

18 A. That's correct.

19 Q. Now, there is some handwritten  
20 marks on here next to some of the numbers.  
21 They look like Rs; do you see that?

22 A. Yes. They appear to be Rs.

23 Q. What do the Rs stand for, do you  
24 know?

25 A. I have no idea.

24 (Pages 90 to 93)



Christa Porter

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1 Q. I don't either.  
 2 How about it looks like a sigma  
 3 symbol to the right of some of the calculated  
 4 ratios?  
 5 A. That's a CL for Coopers & Lybrand,  
 6 I think. It just means it was recalculated.  
 7 The math was checked.  
 8 Q. Do you know whose handwriting those  
 9 symbols are in, and if it is different between  
 10 R and C&L, if you could tell?  
 11 A. No, I can't tell. The Rs don't  
 12 look like my handwriting. The CLs do.  
 13 Q. So you believe that to mean that  
 14 C&L recalculated, checked the math for those  
 15 ratios?  
 16 A. Yes.  
 17 Q. Do you know if Coopers & Lybrand  
 18 would have had a schedule anywhere that showed  
 19 that they recalculated it, or is just the  
 20 initials next to it, I guess, the evidence that  
 21 they recalculated it?  
 22 A. Yes. That's what that means, that  
 23 that person -- at least that's what I  
 24 documented was that I recalculated those  
 25 numbers, and that's how I documented it.

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1 Q. So you believe that because the CLs  
 2 are in your initials, that you are the one who  
 3 recalculated them?  
 4 A. Yes.  
 5 Q. Now, with respect to the last  
 6 covenant on this page, D, "Maintain a  
 7 consolidated unrestricted fund balance of at  
 8 least 200 million dollars," I believe that  
 9 stands for, I don't see a CL next to that one.  
 10 Do you know why that is?  
 11 A. No, I do not.  
 12 Q. Based upon your recollection of  
 13 your practices at the time, do you believe that  
 14 means that you did not recalculate that  
 15 covenant?  
 16 A. I couldn't answer that. Based upon  
 17 looking at this work paper at this point in  
 18 time, it doesn't appear that there is any  
 19 documentation there that I did, but it may have  
 20 been done elsewhere.  
 21 Q. Ms. Porter, I'm handing you what  
 22 has been marked before as Exhibit 428. And for  
 23 the record, Exhibit 428 appears to be another  
 24 work paper related to the 1996 audit. This one  
 25 relating to Section 0025 Preliminary Analytical

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1 Procedures, and it appears to be both some  
 2 steps there as well as a schedule. It starts  
 3 on Bates page ending 200.  
 4 I'm going to ask you now to flip to  
 5 Bates page ending 201. Also I think I probably  
 6 should have you look at the entirety of this  
 7 particular schedule that starts at Bates page  
 8 ending 199 to 201. I think that's a cover,  
 9 sheet to the schedule and notes that follow.  
 10 A. (Witness reviewing document.)  
 11 Q. Ms. Porter, does this appear to be  
 12 a preliminary balance sheet analytic for AGH  
 13 for the 1996 audit?  
 14 A. Yes, it does.  
 15 Q. Do you recall working on  
 16 preliminary analytical procedures for the 96  
 17 audit?  
 18 A. No, I don't.  
 19 Q. I gather then you probably don't  
 20 recollect this specific document either?  
 21 A. No, I don't.  
 22 Q. If you look at the Bates page  
 23 ending 200, that's the one-page chart there  
 24 under balance sheet, is there an item under  
 25 Receivables?

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1 A. Yes.  
 2 Q. It says From Affiliates of, I  
 3 believe that to be, 25,771,000, right?  
 4 A. Yes.  
 5 Q. And then there is a footnote B that  
 6 states on the next page, "Increase in  
 7 receivable from affiliate due to approximately  
 8 \$65,771 of funding provided to the Delaware  
 9 Valley to help fund their operations.  
 10 \$25,771,000 of the receivable is recorded as an  
 11 affiliate receivable. The remaining 400  
 12 million is recorded in investments limited or  
 13 restricted as to use."  
 14 MR. MCDONOUGH: 40 million?  
 15 Q. I'm sorry, 40 million. "The  
 16 rationale for this approach is when the bond  
 17 restructuring goes through for the DV, the \$40  
 18 million will be repaid out of the proceeds and  
 19 put back into the restricted assets (this is  
 20 where the money was originally liquidated  
 21 from)."  
 22 Do you recall whether you drafted  
 23 that particular language, Ms. Porter?  
 24 A. No, I don't recall.  
 25 Q. When someone is marked as

25 (Pages 94 to 97)

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<p style="text-align: right;">Page 158</p> <p>1 were the only ones that I can remember. The  2 other detail steps I don't recall.  3 Q. Are you familiar with a concept  4 called the slope reserve percentages?  5 A. No.  6 Q. Have you ever faced a situation in  7 auditing the bad debt reserve accounts where  8 the client did not have historical cash  9 collection results for you to look at in  10 assessing the reasonableness of the amounts?  11 A. I don't know, because I don't  12 recall whether that was something that I  13 specifically looked at or not.  14 Q. Is the audit of the allowance for  15 uncollectible accounts an important area of the  16 audit for a health care client?  17 A. Yes.  18 Q. And why is that?  19 A. Because it determines or is a  20 review of the net realizable value of the  21 accounts receivable.  22 Q. And would also impact whether the  23 net patient service revenue is right too,  24 right?  25 A. Yes.</p>	<p style="text-align: right;">Page 160</p> <p>1 the year-end field work?  2 A. Preliminary field work deals mainly  3 with -- it depends. It could vary from  4 engagement to engagement, but typically you  5 looked at control risk assessment, did all of  6 the monitoring and application controls and  7 reviewing those and possibly doing some  8 preliminary work on maybe reviewing a  9 preliminary general ledger and looking at some  10 preliminary roll forwards. It would just  11 depend.  12 - - - - -  13 (Thereupon, Deposition Exhibit 4248  14 was marked for purposes of  15 identification.)  16 - - - - -  17 Q. For the record, what I have marked  18 as Exhibit 4248 is a collection of what I  19 believe to be accounts receivable related work  20 papers for the 97 audit. It was also marked as  21 one exhibit in Ms. Porter's SEC examination as  22 Exhibit 221, and bears the Bates numbering PWC  23 010082 through PWC 010334.L, and it has a cover  24 page on the front that says 0053 patient AR  25 file 1 of 2.</p>
<p style="text-align: right;">Page 159</p> <p>1 Q. Do you recall whether you received  2 any training specific to the auditing of the  3 allowance for uncollectible accounts at  4 Coopers?  5 A. I don't recall whether it was  6 specific classroom training or whether it was  7 more on-the-job training.  8 Q. Do you recall when in the 1997  9 audit you started to review Ms. Heinlein's  10 accounts receivable audit work?  11 A. No, I don't.  12 Q. Do you recall that there are  13 different stages of the audit?  14 A. Yes.  15 Q. What are those stages?  16 A. There are two main stages that were  17 referred to as preliminary field work and  18 year-end field work.  19 Q. Go ahead.  20 A. Preliminary field work was usually  21 conducted prior to their fiscal year end, and  22 year end was, of course, after their fiscal  23 year end.  24 Q. Besides the timing, what is the  25 difference between preliminary field work and</p>	<p style="text-align: right;">Page 161</p> <p>1 Ms. Porter, let me ask you first do  2 you recall this collection of documents being  3 shown to you during your SEC examination?  4 A. I do recall reviewing or seeing  5 various patient AR documents during the course  6 of my depositions. I don't know if -- I don't  7 recall specifically this one.  8 Q. That's fair. I don't expect you to  9 be able to tell me if this is the exact copy of  10 what you saw.  11 Let me ask you first to flip to the  12 Bates page ending 136 in the right-hand corner  13 of the document. That particular page is an  14 audit step work paper, I believe, step name,  15 Determine the Hospital's Payer Mix at 6-30-97,  16 and the step description states, "Using the  17 revenue in AR balances, determine the  18 hospital's payer mix. Compare the mix to  19 3-31-97 and analyze significant fluctuations,  20 i.e. changes greater than 3 percent such as BC  21 decreasing from 35 percent to 31 percent.  22 Determine if the payer mix had an adverse  23 effect on contractual allowances." And the  24 objective is Accuracy.  25 Ms. Porter, do you recall what</p>

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<p style="text-align: right;">Page 162</p> <p>1 purpose in the audit evaluating the AR payer 2 mix served? What was the purpose of evaluating 3 that in tracking any fluctuations? 4 A. I believe it just helped us 5 understand what kind of mix the hospital had in 6 terms of the payer mix that they had and how 7 that would -- depending upon the payer, they 8 had different agreements and how that would 9 affect their various balances. 10 Q. How would that affect your audit, 11 if at all, of the net realizable value of the 12 account receivable? 13 A. I believe the different payers had 14 different contractual allowance, contractual 15 agreements with the hospital, so if the payer 16 mix shifted drastically, it would affect the 17 ultimate net realizable value of the 18 receivables. 19 Q. If I can ask you to flip to the 20 page with the Bates number ending 159. This is 21 work paper 0053-51 with the name Days in A/R, 22 6-30-97, and then behind it are two different 23 copies of the same schedule. It appears as 24 though PWC was kind enough to enlarge a lot of 25 these various schedules so we can read them on</p>	<p style="text-align: right;">Page 164</p> <p>1 A. I mean I couldn't point to a 2 specific circumstance. It could be anything. 3 I mean it would just depend on the 4 circumstances under which -- how drastic it 5 was, things like that. 6 Q. If you would flip with me back to 7 the work papers starting at Bates ending 151? 8 A. 151? 9 Q. Yes. And this is another audit 10 step work paper, I believe, that has a step 11 name of Obtain Or Prepare a Comparative Summary 12 at 6-230-97. The step description is, "Obtain 13 or prepare a summary of patient receivables by 14 general ledger account balances at 6-30-97 and 15 perform the following: A, agree amounts to the 16 general ledger; B, perform fluctuation analysis 17 from the 3-31-97 balances." 18 What was the purpose of performing 19 a fluctuation analysis from the 3-31-97 20 balances? 21 A. If we had done -- in general, if 22 you do some preliminary work at prelim, such as 23 3-31-97, you would want to compare those 24 balances to your year end work as well. So I 25 would assume in this case that we were just</p>
<p style="text-align: right;">Page 163</p> <p>1 a piece of paper. So when you see small print 2 like we see on 60, the following page would be 3 a good place to look. 4 Let me ask you, do you recall what 5 was the purpose in the audit of analyzing the 6 days in accounts receivable? 7 A. We looked at days in accounts 8 receivable as it would give an indication if 9 there were issues relative to collecting 10 accounts receivable, that if it had 11 deteriorated. 12 Q. If you found that there were issues 13 with the receivables and deterioration, what if 14 anything would that cause Coopers &amp; Lybrand to 15 do? 16 A. In general, I think we would check 17 it to understand, you know, why it was 18 deteriorating and what steps the hospital was 19 taking to curtail it. 20 Q. Would it call for expanded audit 21 testing? 22 A. It may or may not. I think it 23 would be circumstance dependent. 24 Q. What circumstances would call for 25 an expanded audit?</p>	<p style="text-align: right;">Page 165</p> <p>1 comparing the 6-30-97 balances to the 3-31-97 2 balances. 3 Q. But why would you want to do that 4 comparison? 5 A. To see if there was any significant 6 fluctuations in that time period to see how the 7 accounts moved or if something changed. 8 Q. If there were significant 9 fluctuations, what would that tell you? 10 A. It would depend on what the 11 fluctuations were or what accounts they were 12 in. It would require more questions to the 13 client to understand why it changed, what 14 caused the change, et cetera. 15 Q. Does the document that starts on 16 the next page Bates ending 52 and then 17 continues on through Bates page ending 158, 18 does that appear to be the work paper that 19 purports to satisfy the audit step that we just 20 saw on Bates page ending 151? 21 A. It is definitely a schedule 22 summarizing the accounts receivable general 23 ledger balances at June 30, 97, but it compares 24 to 6-30-96 versus 3-97. 25 Q. 3-31-97?</p>

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<p style="text-align: right;">Page 166</p> <p>1 A. Yes. Sorry.</p> <p>2 Q. Well, does it appear that the work</p> <p>3 paper from 152 to 158 satisfies the audit steps</p> <p>4 that we saw on the first page at 151?</p> <p>5 A. I mean it is not comparing to</p> <p>6 3-31-97, no.</p> <p>7 Q. So it is not satisfying the audit</p> <p>8 step?</p> <p>9 A. That's not necessarily true.</p> <p>10 Q. Why not?</p> <p>11 A. Well, without looking at 3-31-97 to</p> <p>12 see, I don't remember how much work was done.</p> <p>13 If we didn't do substantive work at 3-31-97, we</p> <p>14 wouldn't compare to 3-31-97, we would compare</p> <p>15 it to the prior year.</p> <p>16 Q. Why don't we go to Bates page</p> <p>17 ending 113 through 121.</p> <p>18 For the record, the document at</p> <p>19 Bates ending 113 appears to be another audit</p> <p>20 step work paper, this one with step name Obtain</p> <p>21 or Prepare a Comparative Summary at 3-31-97,</p> <p>22 and it has a step description, "Obtain or</p> <p>23 prepare a summary of patient receivables by</p> <p>24 general ledger account balances at 3-31-97 and</p> <p>25 perform the following: Agree amounts to the</p>	<p style="text-align: right;">Page 168</p> <p>1 Q. When I saw you, I mean Coopers &amp;</p> <p>2 Lybrand, not you personally?</p> <p>3 A. Correct.</p> <p>4 Q. You don't recall any discussions</p> <p>5 about that?</p> <p>6 A. No.</p> <p>7 Q. If you go back to the 3-31 AR</p> <p>8 schedule, specifically at Bates page ending</p> <p>9 119.</p> <p>10 Actually why don't we start with</p> <p>11 118. I'm going to be asking you about the</p> <p>12 schedule specific to Graduate Hospital, and</p> <p>13 then the items I want to ask you about are on</p> <p>14 the next page, 119.</p> <p>15 Do you see that the third row down</p> <p>16 there account 1201092 is called Other</p> <p>17 Reserves-PFMA, and it has a credit balance of</p> <p>18 7,500,000 with a footnote CC next to it?</p> <p>19 A. Which one are you on?</p> <p>20 Q. Bates page ending 119, third row,</p> <p>21 this is for the schedule for Graduate Hospital,</p> <p>22 there is an account number 121902 that has a</p> <p>23 title Other Reserves-PFMA.</p> <p>24 A. Yes.</p> <p>25 Q. In the amount of 7,500,000?</p>
<p style="text-align: right;">Page 167</p> <p>1 general ledger; and B, perform fluctuation</p> <p>2 analysis from prior year balances."</p> <p>3 Does the schedule that follows</p> <p>4 through Bates page ending 121 appear to be the</p> <p>5 work paper that satisfied that audit step?</p> <p>6 A. Yes, it does.</p> <p>7 Q. So does it appear as though Coopers</p> <p>8 did perform some testing at 3-31-97?</p> <p>9 A. Yes. I mean it appears that we did</p> <p>10 a comparison between 6-30-96 and 3-97 relative</p> <p>11 to those general ledger account balances, but I</p> <p>12 don't recall how much detail testing we did on</p> <p>13 the 3-30-97 balances -- or 3-31-97, sorry.</p> <p>14 Q. But you did do an AR lead schedule</p> <p>15 as of 3-31-97, right?</p> <p>16 A. Yes, we did.</p> <p>17 Q. So if you wanted to do a work paper</p> <p>18 that satisfied the audit step we saw 151 to</p> <p>19 compare general ledger account balances at</p> <p>20 6-30-97 and perform a fluctuation analysis from</p> <p>21 3-31-97, you could have done that, right?</p> <p>22 A. Yes.</p> <p>23 Q. Do you know why you didn't do that?</p> <p>24 A. No. I don't recall why we didn't</p> <p>25 specifically prepare such a schedule.</p>	<p style="text-align: right;">Page 169</p> <p>1 A. Okay.</p> <p>2 Q. Footnote CC. Let me ask you first,</p> <p>3 do you recall the initials PFMA?</p> <p>4 A. It has something to do with the</p> <p>5 police and firemen. That's all I remember.</p> <p>6 Q. Does it appear as of 3-31-97 there</p> <p>7 was a reserve for something related to PFMA?</p> <p>8 A. Yes, it does.</p> <p>9 Q. And you don't recall any of the</p> <p>10 specifics for why there was a reserve set up</p> <p>11 for PFMA?</p> <p>12 A. No, I don't.</p> <p>13 Q. If you would read the footnote on</p> <p>14 121, then I'm going to ask you if that</p> <p>15 refreshes your recollection at all about that</p> <p>16 issue.</p> <p>17 MR. MCDONOUGH: Footnote CC?</p> <p>18 MR. TORBORG: CC.</p> <p>19 MS. KISTLER: We have about five</p> <p>20 minutes left on this tape.</p> <p>21 A. (Witness reviewing document.)</p> <p>22 Q. Does reading the footnote CC</p> <p>23 refresh your recollection at all about why</p> <p>24 there was a reserve of over \$7 million for</p> <p>25 something called PFMA at 3-31-97?</p>

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IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF PENNSYLVANIA

THE OFFICIAL COMMITTEE OF  
UNSECURED CREDITORS OF ALLEGHENY  
HEALTH, EDUCATION & RESEARCH FOUNDATION,  
Plaintiff,

vs.

Case No.

PRICEWATERHOUSECOOPERS, LLP,  
Defendant.

00-684

- - - - -

Continued videotaped deposition of  
CHRISTA PORTER, called for examination under  
the Applicable Rules of Federal Civil  
Procedure, taken before me, Wendy L. Klauss, a  
Notary Public in and for the State of Ohio, at  
the offices of Jones Day, 500 Grant Street,  
Suite 3100, Pittsburgh, Pennsylvania, on  
Friday, January 30, 2004, at 9:16 o'clock a.m.

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1 MR. MCDONOUGH: Yes, because I am  
2 trying to remain quiet, and when you castigate  
3 me for making a comment to an inappropriate  
4 question, it causes me to remind you that there  
5 are a lot of things I could raise and I don't.  
6 Go ahead, please.  
7 Q. Do you understand my question?  
8 A. Could you please repeat it.  
9 Q. Okay. As you sit here today, given  
10 the nature of the \$50 million of transfers from  
11 Graduate to DVOG, do you believe that Ms.  
12 Heinlein would have created an issue document  
13 and typed it no further action required without  
14 consulting someone more senior to her on the  
15 audit?  
16 A. I don't know.  
17 MR. TORBORG: And just for the  
18 record, I will continue to, if I believe the  
19 witness has not been responsive to my question,  
20 I will continue to point out, and I believe  
21 what I did in a very nice way, of stating I  
22 don't think that's responsive. I have every  
23 right to try to seek what I believe to be a  
24 responsive answer to my question.  
25 MR. MCDONOUGH: I'll let you have

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1 Q. Do you recall this document?  
2 A. No, I don't.  
3 Q. Is there any reason why you recall  
4 the first issue document on the 50 million but  
5 not this one?  
6 A. Specifically because of the journal  
7 entries down at the bottom. That's what I  
8 recall the issue looking like.  
9 Q. Do you have any knowledge about why  
10 the journal entries were removed from this  
11 version of this issue topic?  
12 A. No, I don't.  
13 Q. And do you see that this one is  
14 issue type Audit Implication?  
15 A. Yes, I do.  
16 Q. And from your experience at  
17 Coopers, what did the issue type audit  
18 implication mean?  
19 A. Audit implication was something  
20 that warranted additional investigation.  
21 Q. Do you have any insight as to why  
22 the issue type was changed from no further  
23 action required to audit implication?  
24 A. No, I don't.  
25 MR. TORBORG: Why don't we break

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1 the last word. I have already made my view  
2 clear and will continue to do the same.  
3 - - - - -  
4 (Thereupon, Deposition Exhibit 4261  
5 was marked for purposes of  
6 identification.)  
7 - - - - -  
8 MR. MCDONOUGH: Let me also say it  
9 is 12:30, so when you are finished with this  
10 exhibit, we can take a lunch break.  
11 MR. TORBORG: We can do that.  
12 Q. For the record, what I have shown  
13 the witness as Exhibit 4261 is an issue topic  
14 titled 50 million Reserve Entry. This one  
15 created by Kristen Heinlein on June 9, 1997,  
16 and this one last modified by Kristen Heinlein  
17 on August 13, 97, and this was printed off a  
18 different earlier version of the CLASS System.  
19 This one with a title Hipkiss Disc, which is  
20 what the Bates label on the first page is  
21 intended to reflect. And again the back of  
22 this document has some metadata information.  
23 Have you had a chance to look at  
24 this document, Ms. Porter?  
25 A. Yes, I have.

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1 for lunch.  
2 MS. KISTLER: We are now going off  
3 the record. The time indicated 12:32 p.m.  
4 (Luncheon recess taken.)  
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1 AFTERNOON SESSION  
 2 CONTINUED EXAMINATION OF CHRISTA PORTER  
 3 BY MR. TORBORG:  
 4 MS. KISTLER: We are now back on  
 5 the record. The time is 1:25 p.m.  
 6 - - - - -  
 7 (Thereupon, Deposition Exhibit 4262  
 8 was marked for purposes of  
 9 identification.)  
 10 - - - - -  
 11 Q. Welcome back, Ms. Porter.  
 12 A. Thank you.  
 13 Q. For the record, I have marked as  
 14 4262 a work paper that was printed off the  
 15 final version of the CLASS disc, which is why  
 16 it has the JD Final CLASS Disc Bates number on  
 17 it, but it is a working paper name \$50 million  
 18 Bad Debt Reserve Entry, working paper reference  
 19 number 0053-75.  
 20 And I have printed off the work  
 21 paper from final version of the CLASS and then  
 22 again attached some metadata type information  
 23 toward the back of the document. Ms. Porter, I  
 24 ask that you take a look at that.  
 25 Have you had a chance to look at

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1 this?  
 2 A. Yes, I have.  
 3 Q. Do you recall this document?  
 4 A. No, I don't.  
 5 Q. now, this particular document has  
 6 the same title as the two previous issue  
 7 documents we looked at, right, \$50 million bad  
 8 debt reserve entry?  
 9 A. The only difference is this one  
 10 says bad debt, the others didn't.  
 11 Q. Right. But it appears to have at  
 12 least the same text under the issue  
 13 description, right, as the version I marked  
 14 that has the Bates label JD Hipkiss CLASS Disc?  
 15 MR. MCDONOUGH: Exhibit 4261?  
 16 MR. TORBORG: Yes.  
 17 A. Yes, it does appear to be  
 18 consistent.  
 19 Q. Do you know why the issue topic was  
 20 changed into a working paper?  
 21 MR. MCDONOUGH: Object to form.  
 22 A. No, I don't recall why that was  
 23 done.  
 24 Q. Let me ask you just a CLASS related  
 25 question. Do you see your name there in the

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1 last modified by field?  
 2 A. Yes, I do.  
 3 Q. And then on the second page there  
 4 is a field called modification history?  
 5 A. Yes.  
 6 Q. Do you know why you would be in the  
 7 last modified by field yet not be in the  
 8 modification history field?  
 9 A. No, I don't recall what prompted  
 10 the inclusion in the modification history.  
 11 Q. Let me just toss this out as an  
 12 explanation. I don't know if it is right or  
 13 not.  
 14 If you marked a document reviewed,  
 15 I think you indicated previously that you would  
 16 be in the last modified field as well, if you  
 17 marked it reviewed?  
 18 A. I believe that's correct.  
 19 Q. If you just marked a document  
 20 reviewed but made no other changes to the text  
 21 of the document, would that mean you wouldn't  
 22 show up in the modification history?  
 23 A. I don't know.  
 24 Q. I'm done with that one.  
 25 Did you ever consider yourself, Ms.

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1 Porter, whether or not the transfers of the 50  
 2 million of reserves from the Graduate entities  
 3 to the DVOG entities could result in a material  
 4 misstatement of the AHERF financial statements?  
 5 A. No. That was nothing that I had  
 6 looked at or considered.  
 7 Q. Did you know at the time when you  
 8 knew about the transfers at some point during  
 9 the 1997 audit, were you aware of at the time  
 10 that the transfers allowed the DVOG entities to  
 11 increase their collective bad debt reserve  
 12 accounts without a charge to bad debt expense?  
 13 A. No. From what I recall, I thought  
 14 it was just transferring reserves, AR reserves  
 15 from one entity to another. That was my  
 16 recollection. So in total it wouldn't have  
 17 changed.  
 18 Q. If you could again pull out the  
 19 collection of AR work papers.  
 20 MR. MCDONOUGH: Exhibit 4248.  
 21 MR. TORBORG: Exhibit 4248.  
 22 Q. Then I'm going to ask you, please,  
 23 to flip to the Bates ending 290.L and .M.  
 24 A. L and M?  
 25 Q. Yes. These are the roll forward

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<p style="text-align: right;">Page 338</p> <p>1 0026-801 titled Graduate Goodwill Entry that I 2 have printed off the Final CLASS version, and 3 the Bates number was put on by Jones Day to 4 reflect that. It also again contains some what 5 I referred to as metadata information in the 6 back. 7 Ms. Porter, if you could take a 8 look through that document. 9 A. (Witness reviewing document.) 10 Q. Ms. Porter, do you recall any 11 portion or portions of this document? 12 A. It looks vaguely familiar with 13 these account numbers at the top, but other 14 than that, the document itself doesn't look 15 familiar. 16 Q. Do you know who prepared this 17 document, whether it be Coopers &amp; Lybrand or 18 AHERF? 19 A. I don't know for certain, but the 20 only thing I would say is on the working paper 21 type it does say prepared by client under the 22 OLE, Prepared by Client. 23 Q. If I can ask you to flip to the 24 second page of the document. Do you see the 25 second item there has a description of record</p>	<p style="text-align: right;">Page 340</p> <p>1 up at the Graduate entities that were 2 transferred to the DVOG entities. I'm not sure 3 if that answers your question or not. 4 MS. KISTLER: We have about five 5 minutes left on the tape. 6 Q. Do you have an understanding of 7 what this schedule is doing, these schedules, 8 the second, third and fourth pages? 9 A. No, I don't. 10 Q. Do these appear to be a description 11 of the purchase price adjustments recorded in 12 conjunction with AHERF's affiliation with -- or 13 Graduate's affiliation with AHERF? 14 A. Yes, they appear to be some kind of 15 purchase price adjustments or adjustments 16 related to those entities. 17 Q. And I think you recalled earlier 18 today that the 50 million that was set up at 19 Graduate Hospital and transferred to DVOG was 20 set up on the Graduate Hospitals through 21 purchase price adjustments? 22 A. I believe that's correct. 23 Q. Do you see anything else on these 24 schedules which I think you just said appear to 25 be the detail behind the purchase price</p>
<p style="text-align: right;">Page 339</p> <p>1 allowance, and then an amount of \$20 million? 2 A. Yes. 3 Q. And then it has a footnote B next 4 to it? 5 A. Okay. 6 Q. And then if you look at the next 7 page, the third item down states, "Record bad 8 debt allowance," and then there is an amount of 9 \$5 million there, again with a footnote B? 10 A. Yes. 11 Q. And finally on the third page there 12 is an entry, the second item down has a 13 description of, "Record bad debt allowance," 14 and then an amount of \$9 million? 15 A. Yes. 16 Q. Again with a footnote B. And those 17 three amounts aggregate to \$34 million? 18 A. Okay. 19 Q. Did you come to learn at any time 20 during the 1997 audit that the 20 million, the 21 5 million and the 9 million were part of the 50 22 million of reserves set up at Graduate that 23 were transferred to DVOG? 24 A. My recollection regarding the 50 25 million is that they were bad debt reserves set</p>	<p style="text-align: right;">Page 341</p> <p>1 adjustments that could be a component of the 50 2 million? 3 A. I don't know. I don't recall what 4 all the components of the 50 million were. 5 Q. I would like to hand you two more 6 exhibits that have already been marked. For 7 the record I have shown Ms. Porter -- or I have 8 handed Ms. Porter Exhibit 4123, which is 9 working paper the number 0026-401 titled City 10 Avenue Hospital opening balance sheet analysis. 11 Ms. Porter, I'm going to ask you, 12 please, to flip to the second page of the 13 document, Bates ending 40. Do you see there is 14 a cell there for purchase price adjustments? 15 A. Yes, I do. 16 Q. And then do you see the second line 17 item there is something titled Additional Bad 18 Debt Reserve, and then the figure 8,000. Do 19 you see that to mean 8 million? 20 A. I don't know. 21 Q. Would you assume for me that that 22 does refer -- that it does mean to refer to 8 23 million? 24 A. Okay. 25 Q. And then if you would go to Exhibit</p>

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<p style="text-align: right;">Page 342</p> <p>1 4125, which is work paper 0026-301 titled  2 Parkview Open Balance Sheet Analysis. The  3 second page, there is again a cell for purchase  4 price adjustments, and again an entry for  5 something titled additional bad debt reserve,  6 again in the amount of \$8 million?  7 A. Yes.  8 Q. And if you add those two, 8 million  9 to the 34 million we saw earlier, you would get  10 50 million, right?  11 A. Yes.  12 Q. Are you comfortable now inferring  13 that the collective 34 million we saw set up on  14 Exhibit 4263 for record bad debt allowance had  15 reference to the 50 million that was eventually  16 transferred from Graduate to DVOG?  17 MR. MCDONOUGH: Object to the form.  18 A. As I stated before, from what I  19 recall, the 50 million that was transferred was  20 from bad debt reserve to bad debt reserve was  21 my recollection.  22 MS. KISTLER: Can I ask that we  23 pause for a tape change. We are now going off  24 the record. The time is 1:46 p.m.  25 (Pause.)</p>	<p style="text-align: right;">Page 344</p> <p>1 A. Yes.  2 Q. And can you explain what that is?  3 A. That was where in a work paper we  4 could highlight a section or a number or a word  5 and add additional commentary that related to  6 that item.  7 Q. And then I think if you go to 4125  8 to the Bates ending 35, do you see that there  9 is a pop up box similar to the one we saw on  10 the previous exhibit that relates to the 8  11 million entry for additional bad debt reserve?  12 A. Yes, I see that.  13 Q. With the same description?  14 A. Yes.  15 Q. And that's the same description  16 that we saw in the footnote B on Exhibit 4263,  17 right? If you need to check it, feel free.  18 A. They appear consistent.  19 Q. And that footnote states, "Prior  20 experience with the Delaware Valley entities  21 led to the 50 million reserve for bad debts.  22 AHERF management believed that when the DV  23 entities were brought into the AHERF system,  24 the entities did not have sufficient reserves  25 on their books for bad debts. Therefore,</p>
<p style="text-align: right;">Page 343</p> <p>1 MS. KISTLER: We are now back on  2 the record. The time is 1:47 p.m. this the  3 beginning of tape seven.  4 Q. Ms. Porter, if you would flip with  5 me on Exhibit 4263, the Graduate Goodwill Entry  6 work paper?  7 A. Okay.  8 Q. To the fourth page of that exhibit  9 that has a -- starts with a footnote A through  10 E. Are you with me there?  11 A. Yes.  12 Q. And is it your understanding that  13 the footnote B on this footnote B here has  14 reference to the items that had the footnote B  15 on the 20 million and the 5 million and the 9  16 million?  17 A. Yes.  18 Q. And then if you look at on both  19 Exhibits 4123 and 4125 the City Avenue and  20 Parkview opening balance sheet analysis work  21 papers, do you see if you would flip first to  22 Bates ending 042 on Exhibit 4123?  23 A. Okay.  24 Q. Are you familiar with the concept  25 on CLASS of having a pop up box?</p>	<p style="text-align: right;">Page 345</p> <p>1 management wanted to have sufficient reserves  2 for the Graduate Hospitals when they were  3 brought into AHERF. AHERF management discussed  4 its decision with the C&amp;L partner who agreed  5 that a reserve should be established."  6 Do you know who it was -- first of  7 all, do you know if this was a footnote that  8 was drafted by Coopers?  9 MR. MCDONOUGH: You mean the pop up  10 box?  11 MR. TORBORG: And the footnote B on  12 the schedule that I'm referring to.  13 A. Yes, I believe it was.  14 Q. Do you know who at Coopers drafted  15 that?  16 A. No, I do not.  17 Q. Do you know when the footnote was  18 drafted?  19 A. No, I do not.  20 Q. I have supplied in the back of this  21 document, in the metadata information, the  22 third sheet in from that, do you see one that  23 has a date create field?  24 A. Yes.  25 Q. Of August 20, 1997?</p>

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1 clear, you are asking whether at the time that  
 2 I left if I knew that those reserves that were  
 3 set up in the opening balance sheet were set up  
 4 specifically for Delaware Valley reserves?  
 5 Q. No. Graduate Hospital bad debt  
 6 reserves.  
 7 A. Specifically for Graduate Hospital.  
 8 That was my understanding that they were set up  
 9 during the opening balance sheet for the  
 10 Graduate entities.  
 11 Q. And at some point prior to leaving  
 12 the audit, leaving Coopers, you became aware of  
 13 the fact that these 50 million of reserves were  
 14 transferred to the Delaware Valley entities,  
 15 right?  
 16 A. That's correct.  
 17 Q. Do you recall doing any analysis of  
 18 whether or not the Graduate Hospitals needed  
 19 additional bad debt reserves?  
 20 A. I don't recall any analysis that I  
 21 did.  
 22 Q. Do you know at all who at Coopers  
 23 was concluding on whether it was appropriate to  
 24 set up additional bad debt reserves for the  
 25 Graduate Hospitals?

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1 A. No. As I said when I left, I know  
 2 that the 50 million was an issue that was still  
 3 being looked at as well as some other topics  
 4 that I don't recall exactly who was involved  
 5 and who was performing that analysis.  
 6 Q. I would like to show you two  
 7 additional exhibits at the same time. I have  
 8 marked or I have shown the witness what has  
 9 been marked as Exhibit 4124 and Exhibit 4126,  
 10 which I think, Ms. Porter, you will agree with  
 11 me appear to be similar but perhaps different  
 12 in time work papers relating to the City Avenue  
 13 and Parkview opening balance sheet analysis.  
 14 If you could review both of those  
 15 documents and tell me whether you agree with  
 16 that representation.  
 17 Again for clarity of the record,  
 18 these were work papers that were printed off an  
 19 earlier version of the CLASS System, this one  
 20 labeled the Hipkiss disc.  
 21 A. (Witness reviewing document.)  
 22 Q. Ms. Porter, does this appear to be  
 23 a similar work paper as the work papers we saw  
 24 in Exhibit 4123 and Exhibit 4125?  
 25 A. Yes, they do, and they have the

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1 same work paper reference number.  
 2 Q. If you would go to the second page  
 3 of Exhibit 4124, there is again a cell for  
 4 purchase price adjustments.  
 5 A. Okay.  
 6 Q. And the second item there again,  
 7 this one says additional bad debt reserve for  
 8 DV A/R, and the amount is again \$8 million,  
 9 right?  
 10 A. Okay.  
 11 Q. Did you know any difference between  
 12 the description on this version of the opening  
 13 balance sheet analysis and the previous  
 14 version?  
 15 A. Yes, I do.  
 16 Q. And what is that difference?  
 17 A. This 4124 refers to additional bad  
 18 debt reserve for DV A/R, whereas the previous  
 19 document just said additional bad debt reserve.  
 20 MR. MCDONOUGH: And the previous  
 21 document being exhibit --  
 22 A. 4123. Sorry.  
 23 Q. Ms. Porter, do you recall anything  
 24 about that change?  
 25 A. No, I don't.

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1 Q. Do you have an understanding --  
 2 what would your understanding have been back in  
 3 1997 with respect to the phrase for DV A/R?  
 4 A. Sorry. Repeat the question.  
 5 MR. TORBORG: Can you read it back.  
 6 (Record read.)  
 7 A. As I sit here today, to me that  
 8 would mean that it is a reserve set up for the  
 9 Delaware Valley.  
 10 Q. And what was your understanding  
 11 back in 1997 of what Delaware Valley referred  
 12 to?  
 13 A. The DVOG hospitals, what you have  
 14 referred to as DVOG.  
 15 Q. And with respect to the Exhibit  
 16 4125 and 4126, I think you would see the same  
 17 change with respect to the removal of the  
 18 language for DV A/R, and would your answer be  
 19 the same with respect to that change, that you  
 20 don't recall?  
 21 MR. MCDONOUGH: I object to your  
 22 use of the word "change." These are different  
 23 documents. Do you mean difference?  
 24 MR. TORBORG: Sure.  
 25 A. Yes. My answer is consistent with

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1 previously.

2 Q. I have handed Ms. Porter what has  
3 previously been marked in this case as Exhibit  
4 1068, also has a Bates stamp number from the  
5 SEC investigative depositions of Exhibit 521.  
6 It is a document that refers to pages titled  
7 AHERF Affiliation Analysis, June 30, 1997.

8 And, Ms. Porter, if you could  
9 review that document to the extent you feel  
10 necessary and tell me whether you recall it.

11 A. (Witness reviewing document.)

12 Q. Ms. Porter, do you recall this  
13 document or any portion thereof?

14 A. No, I do not.

15 Q. Do you recognize the handwriting on  
16 the second page of the document?

17 A. No.

18 Q. I have handed the witness what has  
19 previously been marked as Exhibit 1067. It is  
20 a June 20, 1997 AHERF memorandum from Dan  
21 Cancelmi to Charles Morrison. The subject is  
22 Intangible Assets on the Graduate Entities, and  
23 also what was been marked as Exhibit 713 in the  
24 SEC investigative depositions.

25 A. (Witness reviewing document.)

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1 A. Yes, I see that.

2 Q. And that's the exact language that  
3 we would see in the third entry on Exhibit  
4 1067, right?

5 A. Yes.

6 Q. And then if we wanted to compare  
7 some of those, at least going down to where the  
8 descriptions no longer would apply to Graduate  
9 entities, do you see a number of similarities?

10 A. Yes, I do.

11 Q. Do you know if somebody used -- let  
12 me ask you first, Ms. Porter, if you know at  
13 all whether Coopers & Lybrand or AHERF created  
14 this schedule on the first page, Exhibit 1068?

15 A. No, I don't know.

16 Q. Do you know why the second item on  
17 Exhibit 1068 says, general reserves but the  
18 second item on Exhibit 1067 says bad debt  
19 reserves for DVAR?

20 A. No, I don't.

21 Q. If I could ask you to flip back to  
22 Exhibit 4248, which is a large packet of  
23 account receivables work papers, and  
24 specifically to the Bates page ending 307.

25 For the record, that page has

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1 Q. Ms. Porter, do you remember this  
2 document at all?

3 A. This document does look familiar,  
4 but I don't recall whether I'm remembering it  
5 from the SEC depositions or from prior to that.

6 Q. I know that's difficult sometimes  
7 to remember.

8 Do you see that there is a chart on  
9 the first page of Mr. Cancelmi memo?

10 A. Yes.

11 Q. That had some language on the far  
12 left column there starting with net  
13 unrestricted deficit as of SDN acquisition  
14 date, right?

15 A. Yes.

16 Q. And then if you compare it to  
17 Exhibit 1068, the top line of that one, of that  
18 chart, also has a description net unrestricted  
19 deficit as of SDN acquisition date?

20 A. Yes, I see that.

21 Q. And then you skip to the third one,  
22 there is an -- or to the fourth line of Exhibit  
23 1068, there is something described as net  
24 unrestricted deficit as of AHERF system entry  
25 date 5-1-97?

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1 working paper 0053-44, working paper name,  
2 Parkview Bad Debt Reserves, 6-30-97, completed  
3 by Kristen Heinlein, last modified and reviewed  
4 by Christa Porter.

5 Ms. Porter, if you could review  
6 that page as well as the two pages that follow  
7 it.

8 A. (Witness reviewing document.)

9 Q. Ms. Porter, do you recall this work  
10 paper?

11 A. No, I don't.

12 Q. Can you explain what it is?

13 A. It appears to be some calculation  
14 regarding AR reserve methodology.

15 Q. Does it appear to you to be  
16 although in a different form, the bad debt  
17 reserve calculation for Parkview Hospital dated  
18 June 30, 1997? If you need to look at the  
19 first page.

20 MR. MCDONOUGH: As of June 30,  
21 1997?

22 MR. TORBORG: Yes.

23 A. Yes, it appears to be a reserve  
24 calculation for Parkview as of 6-30-97.

25 Q. And then it has, although a little

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<p style="text-align: right;">Page 386</p> <p>1 questions that you drafted?</p> <p>2 A. (Witness reviewing document.)</p> <p>3 Q. Ms. Porter, do you recall these</p> <p>4 questions on this document?</p> <p>5 A. No, I don't.</p> <p>6 Q. Do you think these are ones that --</p> <p>7 these are comments and questions that you would</p> <p>8 have drafted though you can't recall whether</p> <p>9 you did today?</p> <p>10 A. I'm not sure.</p> <p>11 Q. Who else could have been the person</p> <p>12 who drafted these?</p> <p>13 Let me add to that, is there</p> <p>14 anything about the style of the writing or just</p> <p>15 the format of the document that would refresh</p> <p>16 your recollection at all about who else might</p> <p>17 have drafted these?</p> <p>18 A. It may have been Amy, but quite</p> <p>19 frankly, I'm not real sure.</p> <p>20 Q. What makes you state that you think</p> <p>21 it may have been Amy?</p> <p>22 A. I don't recall knowing enough about</p> <p>23 the CRAs to be able to draft these comments.</p> <p>24 Q. If you look at the last page of the</p> <p>25 exhibit, the second to the last bullet</p>	<p style="text-align: right;">Page 388</p> <p>1 at that.</p> <p>2 A. (Witness reviewing document.)</p> <p>3 Q. Ms. Porter, do you recall being</p> <p>4 involved with reviewing the accrued liabilities</p> <p>5 substantive area of the audit for the fiscal</p> <p>6 year 97?</p> <p>7 A. No. I can't recall whether that's</p> <p>8 an area that I looked at or not.</p> <p>9 Q. As a reviewer of this particular</p> <p>10 audit step, what would your responsibilities</p> <p>11 have been?</p> <p>12 A. If I were the reviewer of this</p> <p>13 audit step, I would have reviewed the documents</p> <p>14 that supported that audit step.</p> <p>15 Q. Would it also be to assure that the</p> <p>16 step description was satisfied by a working</p> <p>17 paper in the file?</p> <p>18 A. Yes.</p> <p>19 Q. And I would like to show you what</p> <p>20 we have marked before as 4130, which is a</p> <p>21 working paper number 0072-1 titled AHERF</p> <p>22 Accrued Expenses, completed by Anthony</p> <p>23 Carrabba, last modified by Dana Bleckman and</p> <p>24 then reviewed by both Dana Bleckman and Christa</p> <p>25 Porter.</p>
<p style="text-align: right;">Page 387</p> <p>1 provides, "Tom Hipkiss will be out on 20 and</p> <p>2 21st. Duane out on 22. Will need access to</p> <p>3 current year calculations and correspondence</p> <p>4 throughout the year. We will provide with roll</p> <p>5 forwards from your department."</p> <p>6 Do you recall a Tom Hipkiss?</p> <p>7 A. No.</p> <p>8 Q. Whether or not he was on this audit</p> <p>9 or not, you don't remember a Tom Hipkiss?</p> <p>10 A. No.</p> <p>11 - - - - -</p> <p>12 (Thereupon, Deposition Exhibit 4266</p> <p>13 was marked for purposes of</p> <p>14 identification.)</p> <p>15 - - - - -</p> <p>16 Q. For the record, what I have marked</p> <p>17 as Exhibit 4266 is an audit step work paper for</p> <p>18 section 0072 Liabilities and Capital, file</p> <p>19 section name Accrued Liabilities and Other</p> <p>20 Payables, and the step name, "Obtain or prepare</p> <p>21 a detailed analysis of accrued liabilities in</p> <p>22 other payables account balances." Completed by</p> <p>23 Anthony Carrabba and last modified by Christa</p> <p>24 Porter.</p> <p>25 Ms. Porter, if you could just look</p>	<p style="text-align: right;">Page 389</p> <p>1 Ms. Porter, if you could take a</p> <p>2 quick glance through the document to the extent</p> <p>3 you feel necessary to tell me if you recall it,</p> <p>4 and then I'll have some specific questions.</p> <p>5 A. (Witness reviewing document.)</p> <p>6 Q. Ms. Porter, do you recall this</p> <p>7 document at all?</p> <p>8 A. No, I don't.</p> <p>9 Q. Do you believe as you sit here</p> <p>10 today that this is a document that satisfies</p> <p>11 the step description that we saw in exhibit --</p> <p>12 the previous exhibit I showed you?</p> <p>13 A. It appears to be a review of the</p> <p>14 accrued liabilities for each of the entities</p> <p>15 and to be a summary of such along with analysis</p> <p>16 regarding the balances that are in the</p> <p>17 accounts.</p> <p>18 Q. I would like to show you what we</p> <p>19 have marked previously as Exhibit 4132, which</p> <p>20 is another audit step work paper in section</p> <p>21 0072, the Audit For Accrued Liabilities and</p> <p>22 Other Payables, this one the step name, "Test</p> <p>23 accrued liabilities and other payables balances</p> <p>24 for reasonableness, fluctuations and</p> <p>25 omissions," and the step description provides,</p>

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<p style="text-align: right;">Page 390</p> <p>1 "Review the balances for reasonableness, 2 expected or unexpected fluctuations between 3 years and obvious omissions. Obtain 4 explanations for any changes greater than or 5 equal to \$500,000 and 5 percent." 6 Ms. Porter, do you know what the 7 purpose of this audit step was? 8 A. I believe it was just to gain an 9 understanding of the change from year to year 10 between the accrued liability accounts. 11 Q. And what would be the purpose of 12 attempting to gain an understanding of the 13 changes in the balances? 14 A. I don't recall what level of detail 15 testing that we did on those accounts, so it 16 would give an understanding of any significant 17 changes or fluctuations between the balances. 18 Q. Do you know where the, I guess, 19 materiality threshold, so to speak, of \$500,000 20 and 5 percent came from? 21 MR. MCDONOUGH: Object to form. 22 A. No, I don't recall where that's 23 from. 24 Q. Does the work paper I showed you at 25 Exhibit 4130, work paper 0072-1, does that</p>	<p style="text-align: right;">Page 392</p> <p>1 are dealing with a liability side of the 2 balance sheet here that that would represent a 3 credit balance? 4 A. Sorry. I was just checking to make 5 sure the other ones appear the same. 6 Yes, that appears like a reasonable 7 assumption based on the other schedules. 8 Q. Next to that figure is a footnote 9 D, and that footnote D states toward the bottom 10 of the page, "Amount represents general 11 reserves for unknowns related to purchase of 12 Graduate." 13 Do you recall that specific 14 language in this schedule? 15 A. No, I don't recall the schedule. 16 MR. TORBORG: We can stop. 17 MS. KISTLER: We are now going off 18 the record. The time is 3:39 p.m. 19 (Recess taken.) 20 MS. KISTLER: We are now back on 21 the record. The time indicated is 3:46 p.m. 22 This is the beginning of tape eight. 23 Q. Welcome back. 24 A. Thank you. 25 Q. When we broke, I had asked you</p>
<p style="text-align: right;">Page 391</p> <p>1 appear to be the work paper that's purporting 2 to satisfy this audit step? 3 A. In the step comments it does refer 4 to that work paper. 5 Q. Oh, yes, you are right. 6 A. Work paper 72-1. 7 Q. Can I ask you to look at Bates page 8 ending 198 of work paper 72-1. 9 MR. MCDONOUGH: Exhibit 4130. 10 Q. I would like to ask you to focus on 11 the Graduate Hospital part of the schedule 12 here; do you see that? 13 A. Yes. 14 Q. And you see toward the bottom of 15 the schedule there is an account 4205001 for 16 accrued, I think that means accrued 17 miscellaneous, would you agree with me on that? 18 A. Yes, that's what it appears to 19 mean. 20 Q. And then there is a balance of 21 5,016,000 and change? 22 A. Yes. 23 Q. As of 6-30-97? 24 A. Yes, I see that. 25 Q. Is it your understanding since we</p>	<p style="text-align: right;">Page 393</p> <p>1 about footnote D on Bates page 198 of the 2 accrued liabilities work paper, and I think you 3 told me that you didn't recall this specific 4 language? 5 A. Correct. 6 Q. As you sit here today, what is your 7 understanding of what that footnote means? 8 A. As I sit here today, I read it to 9 mean a general reserve relative to Graduate. 10 Q. Would this be in the form of a 11 cushion? 12 A. I know I tend to use those terms 13 interchangeably, so, yes. 14 Q. If I could ask you to flip to the 15 next page 199, and this is a schedule that 16 carries over for Mt. Sinai Hospital, and I ask 17 you if you would to look at the same account 18 number, 4205001 for accrued miscellaneous, one 19 that has a footnote B next to it, balance of 20 7,698,000. Are you with me there? 21 A. Yes. 22 Q. And then there is a footnote B that 23 states, "Amount represents remainder of accrual 24 for items related to purchase that AHERF was 25 not aware of at the time of the purchase.</p>

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<p style="text-align: right;">Page 394</p> <p>1 Original amount of time of opening balance 2 sheet was \$11,500,000." 3 Ms. Porter, do you recall that 4 language? 5 A. No, I don't. 6 Q. As you sit here today, what do you 7 take that language to mean? 8 A. As I sit here today, it appears to 9 mean that there were amounts that they planned 10 to incur or expect to incur relative to the 11 purpose that this accrual relates to. 12 Q. What do you take the term, "AHERF 13 was not aware of," to mean? 14 A. It could mean a number things. I 15 don't know. As I sit here today, it could mean 16 they were things that they hadn't anticipated, 17 they were accruals at the time of purchase that 18 they weren't aware of but subsequently became 19 aware of. I'm not sure. 20 Q. Do you recall asking AHERF for a 21 substantiation of the figure that was accrued 22 at the opening balance sheet date in this 23 account? 24 A. I don't recall what information we 25 requested relative to those balances.</p>	<p style="text-align: right;">Page 396</p> <p>1 marked as Exhibit 4132, which is the audit 2 step, "Test accrued liabilities and other 3 payables balances for reasonableness, 4 fluctuations and omissions." 5 The last sentence of that audit 6 step says, "Obtain explanation for any changes 7 greater than or equal to \$500,000 and 5 8 percent." 9 Does this footnote B provide an 10 explanation for why this particular account 11 balance was reduced from 11 and a half million 12 dollars to \$7,698,000 and change? 13 A. No, it does not say what the 14 reduction was used for. 15 Q. If I could ask you, see if I can do 16 this quickly, to look at the Rancocas account 17 on the same page. 18 A. Sure. 19 Q. Accrued miscellaneous account 20 4205001, this one has a balance of \$1,319,685 21 as of 6-30-97. And there is a footnote there 22 that states next to that amount that states, 23 "Amount represents a remainder of accrual for 24 items related to purchase that AHERF was not 25 aware of at the time of purchase. Original</p>
<p style="text-align: right;">Page 395</p> <p>1 Q. Who on the audit team would have 2 been doing that aspect of the audit? 3 A. The opening balance sheet? I don't 4 recall for certain. I think maybe Tony 5 Carrabba might have been involved in some part 6 of the opening balance sheets. I know I looked 7 at some of it, but I don't remember in what 8 capacity or else reviewed those documents. 9 Q. This note references the fact that 10 the original amount in the account at the 11 opening balance sheet date was 11,500,000, 12 right? 13 A. Yes. 14 Q. And at the end of the year, two 15 months later, it has been reduce to do 16 7,698,000 and change, right? 17 A. Yes. 18 Q. Would that have satisfied the 19 materiality test for the fluctuation amount of 20 500,000 or 5 percent? 21 MR. MCDONOUGH: I object to form. 22 A. I'm not sure. They may have had 23 enough information from their discussions to 24 satisfy them. 25 Q. If we could go back to what I</p>	<p style="text-align: right;">Page 397</p> <p>1 amount at time of balance sheet was \$6 2 million." 3 Would your answers be the same with 4 respect to both the reason for the accrual in 5 the first place and also whether or not this 6 schedule contains an explanation for the change 7 in the balance from 6 million to \$1,319,000? 8 A. My answers would be consistent with 9 the previous answers, yes. 10 Q. Do you recall just generally, not 11 with respect to this account or any of these 12 balances, any discussion at all about where 13 certain accounts, account balances at the 14 Graduate Hospitals, why they were reduced from 15 the opening balance sheet date to the year-end 16 date, any discussions along those lines? 17 A. I don't remember any. 18 - - - - - 19 (Thereupon, Deposition Exhibit 4267 20 was marked for purposes of 21 identification.) 22 - - - - - 23 Q. For the record, what I have marked 24 as Exhibit 4267 is an issue topic titled Non 25 Recurring Revenue that was printed off an</p>

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<p style="text-align: right;">Page 398</p> <p>1 earlier version of the CLASS database, this one  2 from the one entitled Carrabba disc, and, Ms.  3 Porter, I note that you are the individual who  4 both created and last modified this document,  5 and to speed things along, if you could just  6 please read the item 3 for now.  7 A. (Witness reviewing document.)  8 Q. Ms. Porter, do you recall this  9 issue that is the subject of this -- this item  10 3, the \$14 million of deferred revenue related  11 to a Qualmed contract that certain of the  12 Graduate Hospitals recorded into income during  13 the fiscal year 1997?  14 A. No, I don't.  15 Q. Do you know if you are the  16 individual who drafted this language in section  17 3?  18 A. No, I don't.  19 Q. On the second page toward the  20 bottom of this item is a sentence that starts  21 with, "AHERF's rationale was to say to IBC that  22 even though it wasn't included in 1996 revenue,  23 if AHERF had owned Graduate at that point, it  24 would have reversed the amounts to income  25 then."</p>	<p style="text-align: right;">Page 400</p> <p>1 - - - - -  2 (Thereupon, Deposition Exhibit 4268  3 was marked for purposes of  4 identification.)  5 - - - - -  6 Q. What I have marked as Exhibit 4268  7 bears the Bates numbers CL 243357 and 58. It  8 is an issue topic titled March vs. May Purchase  9 Accounting, and I believe this comes from an  10 earlier version of the class database as well.  11 It was created by last modified by  12 and cleared by Christa Porter. If you could  13 look at that document.  14 A. (Witness reviewing document.)  15 Q. Ms. Porter, do you recall the issue  16 that is the subject of this issue topic, which  17 is the date at which the Graduate Hospitals  18 should have been accounted for in the AHERF  19 system financial statements?  20 A. I do recall the topic. I don't  21 recall this specific document, but I do recall  22 the topic or the issue of the March versus May,  23 yes.  24 Q. What do you recall about that  25 topic?</p>
<p style="text-align: right;">Page 399</p> <p>1 Do you have any idea who it was  2 that provide AHERF's rationale to that effect?  3 A. No, I don't.  4 Q. Do you have an understanding of  5 what that language is trying to say?  6 A. No.  7 Q. Okay. Do you recall any  8 discussions with anyone else on the audit team  9 about the Qualmed deferred revenue issue?  10 A. No. I can't really remember the  11 issue. The only thing I did want to say is  12 that the language where it talks on that second  13 page about they excluded the prudent buyer  14 calculation as they were an in-house plan, but  15 after it was sold, they failed to include them,  16 the issue itself isn't familiar to me, but that  17 bit of language is, and I don't know why.  18 Q. Do you recall working on the  19 prudent buyer issues for the Graduate entities  20 for purposes of either the 1997 audit or any  21 other engagement related specifically to  22 prudent buyer issues?  23 A. No. I vaguely recall tying down  24 some numbers for prudent buyer, but I don't  25 recall doing any auditing work relative to it.</p>	<p style="text-align: right;">Page 401</p> <p>1 A. I recall that when Graduate was  2 purchased, and I actually don't recall that  3 date, it went into an entity called SDN, and  4 there was an issue as to when effective control  5 transferred from SDN to AHERF management.  6 AHERF booked it as May, as the  7 opening balance sheet was May, and effective  8 control took place then, and C&amp;L contended that  9 effective control took place prior to that,  10 which was March.  11 Q. Do you know what it was  12 substantively that made Coopers &amp; Lybrand  13 believe that effective control transferred on  14 March 1 instead of May 1?  15 A. No.  16 Q. Do you recall if it had anything to  17 do with the transfer of the Graduate reserves  18 to the DVOG through AHERF intercompany accounts  19 starting in March and then again in April of  20 1997, the 50 million?  21 A. I'm not sure. I don't remember.  22 - - - - -  23 (Thereupon, Deposition Exhibit 4269  24 was marked for purposes of  25 identification.)</p>

46 (Pages 398 to 401)

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PAGE 03

FROM CRAVATH SWAINE &amp; MOORE LLP

(WED) 3.10'04 19:09/ST. 19:08/NO. 4260048428 P 3


## Attachment A

Page/Line	Change	Reason
page 5, line 9	"Potter" to "Porter"	stenographical error
page 136, line 6	"Christine" to "Kristen"	stenographical error
page 140, line 5	"suggestions can" to "discussions with"	stenographical error
page 179, line 4	"way" to "say"	stenographical error
page 190, line 7	"end ever August" to "end of August"	stenographical error
page 249, line 4	"assumes" to "assumption"	stenographical error
page 254, line 7	"won" to "one"	stenographical error
page 260, line 19	"go-forward" to "roll-forward"	stenographical error
page 321, line 13	"Initial" to "issue in"	stenographical error
page 381, line 13	"Duane Groll" to "Duane Girol"	stenographical error

I have read the transcript of my January 29-30, 2004 deposition and swear that my testimony, with the above changes, is true and correct.

  
Christa Porter

Sworn to before me  
this 11<sup>th</sup> day of March, 2004

  
Notary Public

Notarial Seal  
Cheryl A. Davidson, Notary Public  
Callery Boro, Butler County  
My Commission Expires Apr. 15, 2004  
Member, Pennsylvania Association of Notaries